United Nations A/C.2/53/SR.11

General Assembly
Fifty-third session

Official Records

Distr.: General
26 February 1999
English
Original: Spanish

Second Committee

Summary record of the 11th meeting
Held at Headquarters, New York, on Tuesday, 13 October 1998, at 3 p.m.

Chairman: Mr. Azadi ..... (Islamic Republic of Iran)

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The meeting was called to order at 3.05 p.m.

Agenda item 91: Macroeconomic policy questions (A/53/60, A/53/62, A/53/69 and A/53/185)

(c) Commodities (A/53/319)

1. **Mr. Rahman** (Chief, New York Office of the United Nations Conference on Trade and Development) said that, as a result of the Asian crisis, there had been a further decline in commodity prices and demand after very unfavourable trends for over a decade. The decline in actual consumption of commodities, either directly for foodstuffs, or indirectly for industrial inputs and construction materials, was one of the main consequences of the crisis.

2. The sustained development of developing countries depended to a great extent on the successful realization of the potential of the commodity sector, since commodity exports constituted a major source of foreign exchange earnings for a large number of developing countries. Financial cooperation to facilitate the capacity of the commodity-dependent countries to manage the sharp declines in commodity export earnings was needed more than ever before. Commodity producers and consumers should strengthen cooperation in the context of international commodity agreements in order to achieve greater market transparency and stability, expand demand for commodities and develop such agreements for commodities which were not already covered.

3. While the financial crisis raised serious problems, the commodity question should also be viewed in a longer term perspective. In fact, recent experience had shown that supply-side factors had emerged as key impediments to the improved participation of many developing countries in international trade. On the other hand, new international trade rules and the changing nature of commodity markets had made commodity trade a more complex and difficult endeavour.

4. A many-pronged approach was required to solve the multifaceted commodity problem. On the domestic front, efforts should be continued to help alleviate supply constraints, encourage diversification and enhance competitiveness. Cooperation between Governments and businesses could help to overcome such constraints. For example, infrastructural development projects could be included in commodity projects and the private sector could be encouraged to invest in building and operating those facilities. Information systems and communications networks could also be established to encourage efficient product movement and quicker reaction to shifting demand.

5. Improving the possibilities for using physical commodities as collateral for loans, for instance through the warehouse receipt system, could significantly strengthen export financing for commodities. However, apart from a lack of expertise about how to structure such transactions, economic policy and legal and regulatory frameworks in many developing countries had not been conducive to the enhanced use of commodities as collateral for trade finance. The international community could support developing countries' actions in that area by making up for the aforementioned shortcomings.

6. An agenda for commodity-based diversification and development would need to be based on appropriate policies and measures by commodity-dependent countries themselves, supported by a favourable international environment. Action would have to aim at obtaining improvements in the multilateral trading system that were conducive to commodity-based development, creating an enabling domestic environment for commodity-based development and assisting the enterprise sector in its pursuit to be successful in commodity-based business at the domestic, regional and global levels.

7. Commodity-dependent developing countries needed a clear understanding of the Uruguay Round obligations and commitments in order to take advantage of the options available to them in the area of diversification. In that respect, the Agreement on Subsidies and Countervailing Measures deserved particular attention. In spite of its limitations, the Uruguay Round Agreement on Agriculture had brought agriculture under comprehensive multilateral discipline for the first time. Commodity-dependent countries needed to formulate a proactive and positive agenda for future multilateral trade negotiations that included financial and technical support for expanding their supply capacity. International organizations such as the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) could assist developing countries to take advantage of the opportunities created by the new international trading environment.

8. The international community should provide the requisite assistance for the success of actions by the Governments of the commodity-dependent countries themselves. In that connection, an open trading system and further reductions in protectionist measures, including domestic support for agriculture and tariff escalation, were of paramount importance. Financial cooperation to help commodity-dependent countries to address fluctuations in commodity export earnings should be expanded. In general, global purchasing power, investment capital, frontier technologies and aid resources remained located in, or were

mobilized from, the developed countries. Therefore, any durable transformation and diversification of the developing countries' commodity sector must by necessity involve cooperation in the area of trade, investment and related areas with the developed countries.

9. South-South cooperation also had an important role. Efforts should be made to promote enhanced complementarities among developing countries in order for them to be able to take advantage of the emerging and diversified trade opportunities. That consideration took on special significance given the expanding share of developing countries as markets for primary and processed exports from the developing world itself. South-South cooperation could also help to harmonize policies and rationalize supplies.

10. **Ms. Djatmiko-Singgih** (Indonesia), speaking on behalf of the Group of 77 and China, said that because commodities were the principal source of income of most of its members, the Group had always supported the adoption of methods to promote commodity production as a means of attracting investment and thus contributing to growth and development. It was, therefore, discouraging to note that, in addition to suffering from long-standing problems, such as declining commodity prices and worsening terms of trade, the developing countries were also having to face new problems as a result of developments in the world economy, current international economic problems and even natural phenomena, the direct and indirect effects of which had exacerbated their problems.

11. The developing countries' difficult situation was further compounded by their lack of technological capabilities, since commodities were becoming less important (particularly in view of the growing use of manufactured products), trade preferences were being eliminated and a new trend had arisen in the commodities futures markets and was threatening to destabilize the earnings of countries dependent on such goods.

12. The international community must give serious consideration to that situation. Measures must be taken at the international level to help dependent commodity-developing countries solve their immediate problems. A global environment favourable to trade in commodities must be created in order to give a new impetus to growth and development and to increase the productivity and efficiency of that sector of the economy. Diversification strategies should be formulated; it was important to promote not only the export of non-traditional commodities and increased food production for internal consumption, but also various processing and production activities and the development of the service sector. Diversification would require a considerable increase in technical and financial assistance. The Common Fund for Commodities should be reactivated and its scope expanded. The various international bodies concerned with commodities should no longer limit themselves, as in the past, to financing country-sponsored projects.

13. Another set of measures which the international community should take involved establishing mechanisms to stabilize commodity prices, further reducing protectionism, including subsidies for national agricultural products, halting the escalation of import duties and establishing instruments which would allow commodity-producing countries to set their own price structures and to manage the risks associated with commodity prices more effectively and transparently.

14. In view of the number of people working in the commodities sector of the developing and, in particular, the least developed countries, and given the worsening problems which had resulted from globalization and the current recession, strengthening the commodities sector would be a major step towards restoring stability, reducing of poverty and stimulating the world economy.

15. **Mr. Yuan Shaofu** (China) said that commodities were extremely important to developing countries and that as a result of cyclical and structural factors, national policies and protectionism, prices had remained low and markets unstable for many years. Those problems had worsened following the outbreak of the Asian crisis, which had been particularly hard on the least developed countries. The crisis had not only caused prices to drop further but had also reduced global demand for commodities. One year after its inception, the crisis continued and was worsening, and the situation was not expected to change for some time to come. He wondered whether the financial crisis would not lead to a crisis in the commodities sector.

16. The problems he had mentioned stemmed from the adverse international economic environment which had existed for many years. The lack of a price-setting mechanism had a negative impact on the production and export of commodities. Globalization and protectionism also helped weaken prices. The developed countries had maintained their tariff and non-tariff barriers, thereby reducing the competitiveness of the commodities of developing countries. Another factor in that unfavourable environment was green protectionism, ecological criteria which had harmed countries whose methods of producing and processing commodities were already threatened.

17. Solving the problem would require formulating long-term national and international policies and creating a stable

international environment in which commodities could flourish. The developed countries should provide training and technical and financial assistance to the developing countries so that the latter could expand their production capacities, develop new products in the commodities sector and, ultimately, diversify their exports. It was also important to improve market access for the developing countries' commodities. Multilateral negotiations should lead to the liberalization of the trade in commodities, including agricultural products.

18. International cooperation was necessary in order to lessen the impact of the Asian financial crisis. The United Nations Conference on Trade and Development (UNCTAD) should study the effects of international financial activities on trade, including commodity exports, and provide regulatory assistance to developing countries. The financial institutions of the developed countries, for their part, should take effective measures to stabilize the international financial environment in order to assist commodity-dependent countries during the current crisis and provide them with financing so that they could diversify production.

19. The Common Fund for Commodities had played an effective role in the study and promotion of commodities. Projects financed under the Second Account should be strengthened, and further study of the First Account would be needed before an opinion regarding the use of its funds could be given.

20. **Mr. Myint** (Myanmar) said that commodity prices accounted for the bulk of export earnings of countries that were heavily dependent on commodities, and determined, to a large extent, their capacity to finance imports. Prices affected a country's trade balance and could determine whether it had a surplus or a deficit.

21. The financial crisis in South-East Asia had caused the economies of some of Myanmar's neighbours to contract and that, in turn, had weakened demand for commodities; as the crisis spread to more of Myanmar's trading partners the situation had worsened.

22. During the past decade, Myanmar had adopted an import substitution policy and although commodities still predominated, there was also a certain degree of diversification in its economy. That had lessened the negative impact of the crisis; however, other developing and least developed countries whose economies were based on a single commodity or a small number of commodities had been devastated. The question of vulnerability must, therefore, be borne in mind in any discussion of sustainable development.

23. Since no country was able to produce everything that it needed, countries generally concentrated on the economic sectors in which they had a comparative advantage and purchased other products abroad. In such a situation, fair, uniform conditions were needed in order to prevent discriminatory effects and marginalization, particularly in the case of the least developed countries.

24. His delegation believed that, to offset the natural imbalances among countries with different production capacities, the international community should create a favourable climate for the marketing of commodities, based on a predictable multilateral trading system that would afford better market access to goods from developing countries and would establish special terms for the least developed countries. It was imperative that UNCTAD and the World Trade Organization should provide advice to the developing countries on building their capacity to negotiate on trade issues in general and commodities in particular. Moreover, security and relief measures should be taken to help the most vulnerable countries withstand economic crises such as the current one.

25. **Ms. Fahmy** (Egypt) said that she supported the statement made on behalf of the Group of 77 and China and that, although commodity exports had constituted a major source of foreign exchange earnings for some heavily indebted developing countries, the economic growth of such countries depended to a large extent on general trends in the sector. It was therefore disturbing to note the data on the deterioration in the value of primary commodities, which was not solely attributable to the crisis in the Asian countries.

26. Between 1985 and 1997, the real value of primary commodities had slipped at a rate of 0.5 per cent a year. In addition, the financial crisis in Asia had produced a decline in demand in a number of sectors, including petroleum and foodstuffs, and the reduced earnings of the affected countries could bring about changes in consumption patterns with regard to those products.

27. The UNCTAD report on commodities (A/53/319) indicated that the interdependence among trading partners in the global commodity market had translated into a real decrease in the earnings from raw materials exports of 38 developing countries, 12 of which were in Africa. Of the 30 developing countries in Africa and Asia whose commodities had experienced price declines between June 1997 and February 1998, 13 were Arab countries, one of which was Egypt. According to table 2 of the report, Egypt's commodity exports had accounted for between 10 and 50 per cent of total exports. That was a high percentage in

comparison to the other sectors that influenced the economic growth of any developing country. In addition, between June 1997 and February 1998, cotton prices had fallen by some 8 per cent.

28. Africa was the continent which had suffered most as a result of trends in commodity markets. It was the only continent whose share of commodity exports had declined steadily over the last 10 years: from 5 per cent of the world total in 1986–1987 to 4 per cent in 1989–1990 and 3 per cent in 1995. Moreover, the value of the African countries' commodity exports was somewhat lower than the total value of their commodity imports. The fact that the commodities share of African exports had risen from about 21 per cent in 1980 to about 23 per cent in 1995 indicated that most African countries, some of which were least developed countries, continued to depend on commodities at a time when world trading opportunities in that sector had declined.

29. Egypt could not fail to point out that, as stated in the UNCTAD report, the difficulties which the African countries faced in attempting to diversify their economies were related to the erosion of trade preferences (under which imports from many African countries, among others, had been admitted free of duty and had not been restricted by quotas or ceilings) as a result of the Uruguay Round negotiations.

30. The report presented strategies aimed at creating the conditions necessary for the development of commodity exports. In that connection, Egypt did not support the concept of commodity-based development, since dependence on those products could not lead to genuine development. However, it fully agreed that more training and research were needed to facilitate the use of sophisticated technology to diversify the export sector. Egypt welcomed the effort made in the report to present recommendations for improving the world commodity market, but considered that more detailed recommendations should have been included to enable developing countries to take full advantage of the multilateral trading system by showing them how to benefit from aid agreements and countervailing measures. She asked the Secretariat to provide clarification on that point before the end of the debate on the issue, as well as in its next report on the subject.

31. Egypt fully agreed with the view expressed in paragraph 62 of the report concerning the need for further trade liberalization in the developed commodity-importing countries, and asked UNCTAD to pay particular attention to the conclusion of agreements on agriculture in all its aspects. That was particularly important in view of the new series of negotiations that would take place in the initial years of the twenty-first century and in view of the need to prepare for the UNCTAD negotiations on that issue during its tenth session, which would be held in Thailand.

32. Lastly, the development financing process initiated by the United Nations should also take into account the developing countries' need for financing to diversify their commodities.

Agenda item 92: Sectoral policy questions (A/53/69)

(a) Business and development (A/53/384; E/CN.15/1997/3 and Add.1 and E/CN.15/1998/3)

(b) Industrial development cooperation (A/53/254)

33. **Mr. Sersale Di Cerisano** (Assistant Director-General for United Nations Affairs and Special Representative of the Director-General of the United Nations Industrial Development Organization (UNIDO) to the United Nations System) said that the report of UNIDO (A/53/254) reviewed the experience of developing countries and countries with economies in transition in adapting their industrial development policies and strategies to the challenges posed by economic globalization. The report consisted of four parts, and concluded with a discussion of the contribution of UNIDO to industrial development cooperation in the context of the programme of revitalization and change it had undertaken in 1998.

34. The report posed a basic question: whether it was possible to draw lessons from the experience of countries that had achieved a relatively high level of industrialization. The report answered that question in the affirmative, since, over the years, success in that area had been associated with sound macroeconomic policies, market-friendly and outward-oriented economic policies, high savings and investment rates, effective governance, an educated and skilled workforce, a well-developed physical infrastructure, development of entrepreneurship and technological advancement. Moreover, there was an emerging international consensus on elements such as enhancing the effectiveness of industrial decision-making and of related regulatory and incentive systems, promoting industrial competitiveness, building capacity for benchmarking policy effectiveness, promoting demand strategies for small and medium-sized enterprises, establishing quality systems at the national level, eliminating restrictions on industrial growth, taking steps to combat the marginalization of the least developed countries, introducing market-based incentives to promote ecological efficiency and promoting regional integration through interaction with the private sector.

35. One might also wonder whether the lessons that had been learned with regard to industrial policy and strategy

could be applied to all countries striving for industrial development. The answer could be both yes or no. Yes, because the lessons had been drawn from the common experience of countries that had reached a relatively high level of industrialization. However, the answer could also be no, since conditions differed from one country to another and circumstances — both internal and external — were constantly changing. As the recent experience of the countries of South-East Asia had shown, external influences had become one of the key determinants of a country's industrial development. In the case of those countries, the results of decades of rapid industrial development had been practically wiped out, owing to the volatility of capital markets and international financial trends.

36. The lessons learned about industrial development during earlier periods remained valid, therefore, but in the current context of globalization of the economy they could not of themselves lead to industrial development. Not only should internal measures be adopted, but concerted and coordinated efforts should be made at the international level to achieve stability in international capital markets in both the short and long terms. Thus multilateral development cooperation was more important than ever to support the industrial progress of the developing countries, particularly in Africa, the least developed countries and the countries with economies in transition.

37. In line with the reform of the United Nations, and within the framework of internal changes, UNIDO had redirected the main focus of its programmes to the promotion of sustainable industrial development with the aim of strengthening industrial competitiveness, increasing employment and protecting the environment in developing countries and countries with economies in transition. It also offered a package of specialized services with the objective of providing developing countries, particularly in Africa, least developed countries and countries with economies in transition with integrated support adapted to their industrialization. In that context it would continue to gather and analyse information and experiences on the best practices and the lessons learned about industrial development, with a view to achieving the objective of strengthening the spirit of international cooperation that was essential for industrial development in the current context of the globalization of the economy.

38. **Mr. Horn** (Deputy Director of the Division for Public Economics and Public Administration) introduced the reports of the Secretary-General on the promotion and maintenance of the rule of law: action against corruption and bribery (E/CN.15/1998/3) and the promotion and maintenance of the rule of law and good governance; action against corruption (E/CN.15/1997/3), which had been prepared pursuant to General Assembly resolutions 51/191 and 52/87, respectively. The Department of Economic and Social Affairs had strengthened its work programme in that sphere. Its recent activities included participation in the National Committee Conference on Combating of Corruption and Promotion of Ethics, held in Windhoek, Namibia, form 7 to 9 October 1998 and organization of a regional conference on the theme "Public service in transition — enhancing its role, professionalism and ethical standards", held in Thessaloniki, Greece, from 17 to 20 November 1997; it would also actively participate in the Second Pan-African Conference of Ministers of the Civil Service, which would be held in Rabat, Morocco, from 13 to 15 December 1998.

39. The Department undertook conceptual and analytical work and provided policy advice and technical assistance in support of measures to implement the United Nations Declaration against Corruption and Bribery in International Commercial Transactions, contained in General Assembly resolution 51/191. That work would be further pursued in close cooperation with other bodies of the United Nations system, with the main purpose of ensuring the implementation of the various legal instruments drawn up by the United Nations, the Organisation for Economic Cooperation and Development, the Organization of American States and other bodies.

40. **Ms. Djatmiko-Singgih** (Indonesia), speaking on behalf of the Group of 77 and China, expressed her appreciation for the document containing the report of the Director-General of UNIDO (A/53/254). The delay in publication, however, which had not allowed sufficient time to prepare for the debate, was disappointing.

41. The Group of 77 and China attached great importance to industrial development cooperation, given the urgent need to promote industrialization as a dynamic means of speeding economic and social development and helping eliminate poverty and create productive jobs in the developing countries, which faced formidable challenges in the context of increasing globalization.

42. The ever-widening gap between the industrialized countries and the developing countries in the area of industrialization and technology was a matter of deep concern. It made it more difficult for developing countries to make use of their traditional comparative advantages, such as cheap labour and abundant natural resources, since industrial and technological capacity with a solid infrastructural base, adequate human resources and business

development were increasingly determinants of economic growth and sustainable development.

43. The Group of 77 and China recognized that the generally poor economic performance, especially industrial performance, of most of the developing countries was due to a lack of such capacities. The continuing Asian crisis, which was taking place in countries considered to have dynamic economies based on sound fundamental macroeconomic variables, had clearly shown that macroeconomic stability could not by itself ensure the level of stability that a sustained development-oriented industrial strategy required. Moreover, macroeconomic instability could also undermine the conditions required for the recovery of industrial growth in the short and medium terms.

44. The Group of 77 and China were aware of the important role of UNIDO in the implementation of programmes and activities to promote the industrial development of the developing countries and considered that the role of that body should continue to be strengthened in order to enable it to reach its full potential and fulfil its mandate in the development field. That would, in particular, help promote sustainable industrial development and the transfer of environmentally sound technologies conducive to sustainable development, which was of great importance for the developing countries in the context of globalization, which required the formulation of stricter rules and standards to encourage competitiveness. UNIDO should be able to ensure that industrial development strategies were in keeping with the development needs of the developing countries, while bearing in mind that there was no common formula for achieving positive results in the industrial field, since each country required a combination of strategies adapted to its own situation and policies of a more general nature. UNIDO, with its capacity to carry out objective and independent studies of the global, regional, national and sectoral issues that affected industrial development, could provide the developing countries with valuable sources of information and advice in that area.

45. He commended the reforms that had been successfully carried out in UNIDO in support of the developing countries' efforts to establish and modernize their manufacturing industries. The same could be said of the decentralization of UNIDO activities in order to provide more effective integrated services at the country level.

46. The process of revitalizing UNIDO had focused on the promotion of sustainable industrial development by strengthening industrial competitiveness, increasing employment and protecting the environment. UNIDO, which helped provide a policy forum, supported institutional capacity-building and promoted other forms of technical cooperation and assistance in the field of industrialization, could help promote the conceptualization and implementation of activities to foster sustainable development. In order to achieve that objective, it would have to help reduce industrial and technological disparities, create productive employment to generate higher-paying and more prestigious jobs, and strengthen the industrial capacity of the developing countries, including greater technological and institutional capacity in the field of human resources, since industrialization was not only a powerful motor of growth but also an important catalyst for increasing technical know-how and national capacity.

47. **Mr. Glanzer** (Austria), speaking on behalf of the European Union, the Central and Eastern European countries associated with the European Union, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia and the associated country Cyprus, stressed the importance of fighting bribery and corruption, which were undermining the legitimacy of States, had enormous social and economic costs, and whose victims were usually the poor. Corruption had many roots and could not be tackled effectively in isolation from the underlying economic, political and institutional problems that it stemmed from. Since the causes of corruption were mainly domestic, the problem had to be addressed first and foremost at the national level, in particular by reducing discretionary powers and enhancing the accountability of the public sector. However, the problem also had a significant international dimension, since bribery in international commercial transactions formed an important part of the problem.

48. The European Union had taken strong action to combat corruption, particularly in the public sector. A convention had been concluded that required all States members of the European Union to criminalize corruption involving officials of the European Communities and national officials. A legal instrument on private sector corruption was currently being drafted, and the European Commission was also taking measures on a range of matters relating to corruption, particularly in the context of damage to the Communities' financial interests. The States members of the European Union and the European Commission had also been participating actively in the drafting of an important convention negotiated in the Organisation for Economic Cooperation and Development (OECD), which had been opened for signature in December 1997. The European Union was determined to ratify the convention as soon as possible and urged the signatories that were not members of the European Union to do the same. The convention required

parties to criminalize the bribery of foreign public officials in international business transactions. The European Union was also committed to the programme of work under way in the Council of Europe, where a criminal law convention on corruption was expected to be finalized by the end of 1998.

49. The European Union believed that the United Nations, and the Commission on Crime Prevention and Criminal Justice in particular, had an important role to play in forging an international consensus, *inter alia*, by elaborating relevant standards and norms and strengthening international cooperation to combat corruption. In that regard, the European Union welcomed the work carried out by the Centre for International Crime Prevention and by UNDP in providing technical assistance to strengthen accountability in governance, of public affairs, improving financial management systems and formulating anti-corruption legislation. It also welcomed the growing attention that international organizations were giving to the issue of corruption by supporting national efforts in that area and giving priority to the fight against corruption when providing assistance to their member States. The institutions concerned, particularly the relevant entities of the United Nations system, the Bretton Woods institutions and the various regional bodies, should work together closely to make the best possible use of resources and ensure that their activities had a more significant impact. In that context, it was important they should cooperate closely with the bilateral donors.

50. With regard to cooperation and the formulation of industrial development policy, it should be pointed out that major changes had occurred since the mid-1980s. Based on past experience and the changes brought about by the rapid globalization of the economy, there had been a growing convergence of policies that encouraged investment in human resources and government responsibility in creating a dynamic domestic framework in which the private sector could play its role as the driving force of industrial development. A sustainable industrial policy was a crucial component of development strategies, which included a number of key objectives: open competitive economies, progressive trade liberalization, secure and productive employment, social development and environmental protection. The report of the Director-General of UNIDO (A/53/254) contained encouraging examples of how the manufacturing sector was contributing to growth not only in most of the least developed countries in Asia but also in various least developed countries in Africa, such as Uganda and Guinea, through the development of small and medium-sized enterprises. The analysis also highlighted the importance of South-South cooperation among companies and the positive effects of regional integration. Development assistance had also played an important role, particularly in some of Africa's least developed countries. He underscored the importance of various microfinance instruments adopted to empower the poor, especially women, to establish small-scale businesses and handicraft-production units. In addition to initiatives taken at the national level by its member States, the European Union had a number of instruments that supported industrialization and private entrepreneurship in developing countries.

51. The UNIDO report highlighted the sustained reform efforts being taken by the Central and Eastern European countries that wished to become members of the European Union. The European Union supported those national efforts through financial and technical assistance from its PHARE programmes. In each country that wished to join the European Union, the priorities that must be addressed were defined; those priorities included the promotion of enterprise development, including small and medium-sized companies, and the restructuring of several industrial sectors, such as coal and steel, in order to enable companies in the region to compete in the European Union's Single Market. The European Union also funded programmes to support reforms in the enterprise sector in a number of countries in transition.

52. He drew attention to the constructive role played by UNIDO, following its reforms, in promoting sustainable industrial development. The European Union welcomed the fact that UNIDO focused on strengthening industrial capacities and on cleaner and sustainable industrial development, both of which took account of real development needs and the organization's comparative advantages. UNIDO placed special emphasis on support programmes for African countries, in accordance with General Assembly resolution 52/208, and was doing valuable work in other regions, particularly in the countries with economies in transition. The agreement between UNIDO and UNCTAD was a good example of cooperation aimed at reducing the duplication of work in the United Nations system and contributing to a wider process of reform. He urged both organizations to work for the effective implementation of the agreement and to ensure that liaison officers in each organization were selected carefully and given the necessary resources.

53. The European Union welcomed the progress made in the ongoing reform process and the improvement in the organization's financial situation, even if it was still not fully satisfactory. It was essential for every State member of UNIDO to pay any outstanding arrears and their assessed contributions promptly, in full and without conditions.

Lastly, he urged those States members of UNIDO that were in a position to do so to make voluntary contributions to the Industrial Development Fund.

54. **Mr. Winnick** (United States of America) applauded the efforts of the international community and the United Nations in addressing the issues of corruption and bribery which had long plagued all societies.

55. Efforts to mobilize international cooperation against corruption and bribery in commercial transactions went back to at least 1975, when the General Assembly had adopted resolution 3514 (XXX); that resolution had condemned all corrupt practices, including bribery, reaffirmed the right of any State to take appropriate legal action against corrupt practices and called on all Governments to cooperate in the fight against corruption and bribery. More recently, the mushrooming of international trade and investment had returned the issue to centre stage. Key developments in the fight against corruption and bribery included the adoption in 1996 by the General Assembly of two documents: the International Code of Conduct for Public Officials, which clearly defined conflicts of interest for public officials and prohibited the acceptance of gifts and favours, and the United Nations Declaration against Corruption and Bribery in International Commercial Transactions, which committed Member States to criminalizing the bribing of public officials.

56. While the fight against corruption and bribery had been waged in many theatres, two regional initiatives stood out: the adoption by the Organization of American States in 1996 of the Inter-American Convention against Corruption and the signing in December 1997 by 33 States members of the Organisation for Economic Cooperation and Development of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, in December 1997. Each of those international and regional agreements strengthened the legal and political structure underlying the laws enacted by individual States to combat corruption and bribery.

57. The Vienna-based Commission on Crime Prevention and Criminal Justice had been closely involved in efforts by the United Nations to further the progress of anti-corruption and anti-bribery initiatives and had produced clear, concise reports on the issue of corruption at its 1997 and 1998 annual sessions. In 1997 the Commission had forwarded to the General Assembly a proposal, subsequently adopted as Assembly resolution 52/87, entitled "International cooperation against corruption and bribery in international commercial transactions", as a means of implementing the Declaration.

58. The United Nations had continued to provide technical assistance through projects to strengthen institutional capacities and mechanisms, advisory services in elaborating anti-corruption legislation and the training of judges, prosecutors and law enforcement officials. Additionally, the Crime Prevention and Criminal Justice Division had worked with the United Nations International Drug Control Programme on model legislation against corruption. The Division also cooperated closely with UNDP and other bodies of the United Nations system.

59. The agenda of the Tenth United Nations Congress on the Prevention of Crime and the Treatment of Offenders, to be held in 2000, included an item promoting the rule of law and strengthening the criminal justice system. The Congress would also host a related workshop on combating corruption.

60. The 1998 report of the Commission on Crime Prevention and Criminal Justice demonstrated that regional initiatives were able to influence national legislation and motivate nations to amend their legislation to reflect recent developments relating to corruption, such as bank secrecy, mutual assistance legislation, accounting standards and practices and the tax deductibility of illicit payments.

61. Efforts to combat such practices included the holding in Dakar of an African Regional Ministerial Workshop on Action against Organized Crime and Corruption in the summer of 1997 and the Asian Regional Ministerial Meeting on Transnational Crime, held in Manila in 1998, where the prevention and control of bribery and corruption had been discussed. In addition, the International Centre for Crime Prevention was revising its 1993 manual on practical measures against corruption, as well as continuing its assessment missions, seminars and training efforts.

62. At the national, regional and international levels, activity in the area of corruption was reaching the necessary critical mass to move forward, and the United Nations was clearly exerting leadership. It was to be hoped that the momentum would yield additional positive results, progressing incrementally towards a culture of legality, accountability and transparency.

63. **Mr. Kolby** (Norway) said that it was important that developing countries should promote the development of a dynamic private sector, a prerequisite for economic and social development, and that their efforts should be able to rely on assistance from donor countries. Norway had helped various developing countries build the capacity of their productive sectors, through its bilateral assistance programme and through the United Nations system, the Bretton Woods institutions and the World Trade Organization. In view, however, of the fact that economic

reforms and liberalization of the world economy had radically altered the overall conditions of trade and industry in most of the participating countries, Norway had recognized the need to develop a wider and more consistent strategy to promote the private sector by supporting activities that stimulated production, government efforts to establish satisfactorily functioning market economies and the creation of favourable conditions for economic development. Norway's policy instruments were under review, bearing in mind its new policy objectives.

64. His Government attached great importance to the provision of assistance by the United Nations and multilateral institutions in the area of trade and development, aimed at facilitating the growth of the private sector in developing countries. His Government was willing to increase that support so that developing countries could take advantage of the opportunities which global trade liberalization offered them. Norwegian policy in that area would emphasize a dialogue with the receiving countries on the development of the private sector and ways in which such support could be better integrated into existing planning instruments. Moreover, his delegation attached special importance to close coordination among donors with regard to the assistance provided to developing countries for the development of the private sector. There was also a need for greater cooperation among the various organizations concerned with trade and development.

65. **Monsignor Reinert** (Observer for the Holy See) said that the Holy See had always been opposed to the indiscriminate use of coercive economic sanctions against a nation when such sanctions affected the basic human development of its population, and Pope John Paul II had spoken out against them many times. The position of the Holy See had been clearly reaffirmed in 1997 at the time of the consideration of the report of the Secretary-General entitled "Economic measures as a means of political and economic coercion against developing countries" (A/52/459). While it must be recognized that there were legitimate reasons which might prompt the international community to resort to the use of sanctions, subjugation through hunger could not be a means of war or the outcome of a legal decision. Sanctions must be a temporary means of exerting pressure on those responsible for decisions which threatened world peace. Sanctions must be proportional to the objectives pursued and must always be accompanied by a dialogue between the parties.

66. During his pastoral visit to Cuba in early 1998, the Holy Father had referred to the suffering caused by economic sanctions, which were always regrettable because they injured the neediest. The delegation of the Holy See understood that there had been times when economic sanctions had been used as a last resort to achieve the desired results, but it believed that such coercive economic measures should never be applied indiscriminately. Any means which caused suffering and injury to innocent people and deprived them of help led to social breakdown and increased the oppression of those who frequently had no influence whatsoever on the policies of their governments. The Holy See called on the United Nations to carefully consider the impact of economic sanctions, with a view to finding appropriate and effective mechanisms within the Organization to mitigate the negative impact of sanctions on innocent and vulnerable citizens, and to ensure that the items most essential to their well-being were exempt from the sanctions regime.

67. **Mr. Isakov** (Russian Federation) said that his delegation attached great importance to small- and medium-sized enterprises, in particular, since without them it was difficult to ensure economic and social stability. The consistent policy followed in that area was bearing fruit: by the end of 1997, small- and medium-sized enterprises in Russia had already employed 12 million people, or 10 per cent of the workforce. Unfortunately, the Russian financial crisis had dealt a heavy blow to enterprises of that type, and 30 per cent of them had declared bankruptcy or gone out of business. The new Government was taking urgent steps to deal with that situation, for example, by establishing a favourable tax system. It also hoped to continue taking advantage of the expert and technical support which Russian enterprises received from international organizations both within the United Nations system (including the United Nations Development Programme (UNDP) and UNIDO) and outside the system (such as the European Bank for Reconstruction and Development, the European Union and the World Bank).

68. Measures to combat corruption, bribery and unfair competition at all levels were an important aspect of the development of business activity. Corruption was one of the most serious obstacles to attracting private investment to the national economy, and combating it had become one of the Government's priorities. An anti-corruption programme had been established within the Russian Federation, and a legislative act entitled "Fighting corruption", which required all public officials to provide information on their income, assets, securities and bank deposits, including those held abroad, was in the final stages of preparation. Positive results were already being obtained, and the corruption of some senior officials had been exposed.

69. The Russian Federation, a country with an economy in transition, lacking sufficient experience in combating

economic crime under market conditions, was extremely interested in international cooperation in that area; it hoped to receive advisory services and technical support from the United Nations system and other international organizations, as well as other types of support, particularly for the improvement of legal and institutional mechanisms in the area of preventing and fighting corruption and training public officials. His Government noted with satisfaction the attention being paid to the issue at the United Nations and would support the efforts of the Organization and the international community to develop international rules against corruption, including in international commercial transactions.

70. Within the United Nations system, UNIDO was the lead organization for activities relating to the modernization of the industrial sector on the basis of sustainable development. The reform process being carried out within UNIDO had enabled it to confront successfully the moral, financial, psychological and political crisis with which it was faced, and the new Director-General had done a very commendable job. The experience of the reform of UNIDO should serve as an example for the reform of the United Nations system as a whole.

71. The report of the Director-General of UNIDO (A/53/254) included a highly justified critique of the so-called "gradual approach" to economic and industrial development, which posited a "first stage" of macroeconomic reforms, followed by a "second stage" of socio-economic, institutional and legal reforms. Experience showed that it was necessary to change that approach and to adopt a global perspective from the very beginning of the process.

72. Despite the gloomy forecasts for the world economy in the short term, there could be no doubt that industrial and technological integration, and national and international cooperation in that area between States and private sectors, would continue to increase; one of the objectives of UNIDO should be to promote that trend. The introduction of new technologies, particularly environmentally sound technologies, could become a driving force for pulling the world economy out of crisis.

73. In his delegation's view, the following UNIDO activities should be strengthened: (a) attracting foreign investment in the industrial and technological sectors; (b) developing international environmental protection standards for industry; (c) enhancing the role of small and medium-sized enterprises in science and technology and in industry; (d) establishing regional industrial development and ecological production centres; and (e) promoting certification and standardization in industry.

74. His delegation would be interested in promoting international cooperation with a view to marketing the findings of scientific and technological research, in particular, those of Russian research centres, which had considerable scientific potential. UNIDO assistance in that regard would benefit the entire international community. Coordination between UNIDO and the Commission on Sustainable Development and UNCTAD must also be strengthened.

75. **Mr. Onishchenko** (Ukraine) said that the business and private sectors were the key players in the social and economic development of each country. The private sector, supported by sound State policy, helped to utilize the opportunities created by economic liberalization and globalization. Obviously, however, development of the private sector was impossible without support at the public level, which should include, *inter alia*, demonopolization, the introduction of tax incentives, a sound legal environment and the promotion of domestic and foreign investment.

76. The political and economic transformation process in Ukraine had an impact on the public perception of the Government's role in industrial activities, the stimulation of market forces and the interrelationship among the Government, entrepreneurs and investors. The successful restructuring of the Ukrainian economy would depend largely on the creation of a political and economic environment that would facilitate the establishment of a strong small and medium-sized business sector. Like many other countries with economies in transition, Ukraine acknowledged the importance of such enterprises to industrial restructuring, since they could become centres for innovative development and for the introduction of new technologies in the majority of industry-related businesses. In that regard, Ukraine had pinned great hopes on the small entrepreneurship development programme approved by its Government, and on the relevant regional programmes.

77. One of the major problems of private enterprise in developing countries and countries with economies in transition was obtaining investments, loans, modern technologies and adequate and non-discriminatory access to international markets for goods and services. The support of the regional and international financial institutions and the technical assistance provided by United Nations agencies were therefore vital. His delegation wished to commend the work of the international organizations of the United Nations system in those areas, particularly UNDP, UNCTAD and the Economic Commission for Europe (ECE). His delegation

welcomed the elaboration, under the aegis of ECE, of the enterprise development programme that envisaged, in particular, the formulation of recommendations and guiding principles for the development of small and medium-sized enterprises in the region.

78. Although significant progress had been achieved since the adoption of the United Nations Declaration against Corruption and Bribery in International Commercial Transactions, it was necessary to adopt further measures that took into account the information provided by Governments and the outcome of the sixth and seventh sessions of the Commission on Crime Prevention and Criminal Justice. The issue of corruption could also be considered at a joint meeting of the Second and Third Committees of the General Assembly, which would set a good example in the context of the revitalization of the work of the United Nations in the economic and social sectors.

79. His delegation welcomed the progress achieved by UNIDO in its genuine restructuring process. While no substantial increase in the delivery of services could be expected, owing to budget cuts and staff reductions, his delegation was confident that UNIDO would contribute to the industrialization of the developing countries and the countries with economies in transition. It hoped to see fruitful cooperation between UNIDO and the countries with economies in transition, which would be of paramount importance for restoring not only the industrial potential of those countries but also their ability to provide technical assistance to developing countries; although many economies in transition were currently facing difficulties, they might become donors in the future.

80. The UNIDO reform process should be seen as part of the overall reform of the United Nations system. In that context, his delegation welcomed the partnership recently established between UNIDO and UNCTAD and looked forward to the establishment of similar ties with other United Nations institutions or organizations representing civil society. The entities of the United Nations system must work together for the benefit of recipient countries, including the development of joint programming mechanisms such as the United Nations Development Assistance Framework.

81. **Mr. Sin Song Chol** (Democratic People's Republic of Korea) expressed his delegation's support for the statement made by the representative of Indonesia on behalf of the Group of 77 and China. Industrialization was an essential factor in promoting the economic growth and sustainable development of the developing countries.

82. In recent years, successful efforts had been made towards attaining the goals set forth in the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade and those of industrial development. Increasingly, however, many developing countries were marginalized from international industrial development owing to, *inter alia*, declining official development assistance and the progressive weakening of the role of UNIDO, basically because of the unpredictability of certain donors' contributions to its regular budget.

83. In order to ensure the industrialization of the developing countries, the developed countries and the international financial institutions must implement loan policies aimed at helping those countries to build their own industries using their own natural resources. That would require, *inter alia*, development-oriented assistance with input from modern science and technology and the training of scientists and technicians.

84. UNIDO should focus its activities on increasing assistance, accelerating the industrial modernization of the developing countries and promoting South-South cooperation in close cooperation and consultation with both international organizations of the United Nations system and donor countries. His delegation was confident that the United Nations would continue to coordinate bilateral and multilateral efforts to ensure the sustainable industrial development of the developing countries and that UNIDO, by renewing its cooperation policies, would continue to contribute to the industrialization of the developing countries.

The meeting rose at 5.05 p.m.